

HOUSE BILL REPORT

HB 2678

As Reported by House Committee On:
Financial Institutions & Insurance
Appropriations

Title: An act relating to the pollution liability insurance agency.

Brief Description: Reauthorizing the pollution liability insurance agency.

Sponsors: Representatives Kagi, Kretz, B. Sullivan and Ericks; by request of Pollution Liability Insurance Agency.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/24/06 [DPS];

Appropriations: 2/1/06, 2/2/06 [DPS(FII)].

Brief Summary of Substitute Bill

- Removes expiration provisions related to the Pollution Liability Insurance Agency making the program permanent.
- Repeals ongoing evaluation and legislative recommendation requirements.
- Extends the expiration date on the Pollution Liability Trust Account until 2013.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, O'Brien, Santos, Serben, Simpson, Strow and Williams.

Staff: Jon Hedegard (786-7127).

Background:

The Pollution Liability Insurance Agency's (PLIA) mission is to make pollution liability insurance available and affordable to the owners and operators of heating oil tanks and underground storage tanks by offering reinsurance services to the insurance industry. A heating oil tank is a tank for space heating of a home or working space. An underground storage tank is a commercial tank or a combination of tanks used to store an accumulation of petroleum.

The PLIA and its programs do not receive state general funds. Funding comes from two sources: (1) a pollution liability fee imposed on dealers making sales of heating oil to a homeowner or a consumer which is deposited into the Heating Oil Pollution Liability Trust Account (HOPLT Account); and (2) an excise tax on the wholesale value of petroleum which is deposited into the Pollution Liability Trust Account (PLT Account). The excise tax includes a "trigger" mechanism based on the amount of funds in the Pollution Liability Insurance Program Trust Account. The tax will only be imposed for a succeeding calendar quarter if: (1) the tax was levied the prior quarter and the account balance is less than \$15 million. Most recently, the tax was effective from July 1, 2003, through June 30, 2004. The entire tax is currently scheduled to expire on June 1, 2007.

The Director of the PLIA (Director) is required to evaluate the effects of the program on the private market for liability insurance for owners and operators of underground storage tanks. The Director is required to make recommendations to the Legislature concerning continuance of the program.

The programs and the PLIA are scheduled to expire on June 1, 2007.

Summary of Substitute Bill:

The June 1, 2007, expiration date for the PLIA is repealed. The PLIA and its programs are made permanent. The expiration date for the PLT Account is extended until 2013. The interest generated by the PLT Account will remain in the PLT Account rather than being transferred to the state General Fund.

The ongoing requirements that the Director evaluate the effects of the program on the private market for liability insurance and make recommendations to the Legislature concerning continuance of the program are repealed.

Substitute Bill Compared to Original Bill:

An expiration clause concerning the Pollution Liability Insurance Program Trust Account is reinserted. The expiration clause is extended from the current expiration date of June 1, 2007, until June 1, 2013.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 5, relating to interest relating to the PLT Account, which takes effect July 1, 2006.

Testimony For: The PLIA program is a partnership between the industry and the State to address leaks and spills. It is funded by fees, not the General Fund. It is a program that has

worked well for all parties. The PLIA program has been reauthorized twice. The Governor believes that it should be made permanent. There was a budget issue last year involving funds in one of the PLIA accounts. I understand concern that it may be appropriate to extend the expiration date instead of making the program permanent at this time. All of the stakeholders have worked on this bill. Continuing the program is in everyone's best interest. The program is responsible and reasonable. A new sunset date is not a concern. In fact, a future budget raid might cause stakeholders to want to end the program. The Governor believes that the PLIA is a necessary and successful program. The PLIA should be extended. The Governor did reverse the second half of the fund transfer from the PLIA account. The bill also allows interest to remain in the account and benefit the people who pay into the program. The bill ensures that businesses and homeowners that need the PLIA will have the program.

Testimony Against: None.

Persons Testifying: Representative Kagi, prime sponsor; Lynn Gooding, Pollution Liability Insurance Agency; and Charlie Brown, Washington Oil Marketers Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Financial Institutions & Insurance be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Staff: Alicia Paatsch (786-7178).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Financial Institutions & Insurance:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 5, relating to interest relating to the PLT Account, which takes effect July 1, 2006.

Testimony For: We support the reauthorization of the PLIA. The Governor shows support by not making the second transfer from the dedicated account to the State General Fund and by allowing the account to keep its own interest. Other accounts like this have their interest deposited into the General Fund, so this is a policy shift. We want the account to sunset so

that it can have a necessary review. Language in the Federal Energy Act may require that revenue stay in the account; otherwise, the state would not be qualified to get federal funds in support of underground storage tanks.

Testimony Against: None.

Persons Testifying: Representative Kagi, prime sponsor; Charlie Brown, Washington Oil Marketers Association; Lynn Gooding, Pollution Liability Insurance Agency; and Greg Hanon, Western States Petroleum Association.

Persons Signed In To Testify But Not Testifying: None.